

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-02 INR-07 INT-05
L-03 NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15
STR-05 TRSE-00 ACDA-12 PA-02 PRS-01 NSCE-00
USIE-00 INRE-00 SSO-00 /109 W
-----078641 052229Z /63

O 052201Z JAN 78
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 7341

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PASS ARA/MEX FOR AMBASSADOR LUCEY AND ROBERT DUNN

EO 11652: N/A
TAGS: ENRG, MX
SUBJECT: DIAZ SERRANO PRESS CONFERENCE

1. FOLLOWING ARE PERTINENT QUOTES FROM PEMEX DIRECTOR
JORGE DIAZ SERRANO LUNCHEON PRESS CONFERENCE
JANUARY FOUR AS EXTRACTED FROM TEXT PUBLISHED JANUARY
5 IN EL NACIONAL:

2. "SURPLUS RESULTING FROM THE NEW EXPLOITATION
OF THE SOUTHEASTERN DEPOSITS REPRESENT A NEW PICTURE
FOR OUR COUNTRY, AS FAR AS AN INCREASE OF AVAILABLE GAS
ASSOCIATED WITH CRUDE OIL IS CONCERNED. FOR THIS
REASON, LAST YEAR, A FEW MONTHS AFTER THE SIX-YEAR
PETROLEOS MEXICANOS DEVELOPMENT PLAN WAS DECIDED UPON, WE
HAD TO INCLUDE THE CONSTRUCTION OF A TRUNK PIPELINE
THAT WOULD JOIN TWO GREAT EXISTING PIPELINE SYSTEMS:
THE PEMEX-MEXICO CITY-GUADALAJARA LINE AND THE REYNOSA-
MONTERREY-CHIHUAHUA LINE; THIS WOULD PROVIDE THE
PRINCIPAL INDUSTRIAL CENTERS IN THE COUNTRY WITH THIS
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FUEL.

3. "THE CONVENIENCE OF INTEGRATING THE DISTRIBUTION
SYSTEM AS WELL AS THE DISPOSING OF CONSIDERABLE
SURPLUS WHICH COULD FEASABLY BE EXPORTED TO THE
UNITED STATES OF AMERICA LED US TO BEGIN TALKS
WITH THE PRINCIPAL TRANSPORTERS OF NATURAL GAS IN THAT

COUNTRY. WE EXTENDED TO THEM A LETTER OF INTENT TO SELL THEM OUR SURPLUS AT A PRICE -- DUE TO ITS CALORIFIC POWER -- EQUIVALENT TO NO. 2 FUEL AT THE PORT OF NEW YORK.

4. "INDEPENDENT OF THESE NEGOTIATIONS, AS OF LAST OCTOBER IT WAS DECIDED THAT A 48 INCH, 1,096 KILOMETER PIPELINE FROM CACTUS, REYNOSA TO SAN FERNANDO, TAMAULIPAS WOULD BE BUILT, AS WELL AS A 42 INCH DIAMETER 129 KILOMETER LONG PIPELINE FROM THIS LAST POINT TO MONTERREY, NUEVO LEON, WITH THE POSSIBILITY OF BUILDING A 42 INCH, 119 KILOMETER EXTENSION FROM SAN FERNANDO TO REYNOSA, TAMAULIPAS TO EXPORT GAS IN CASE WE REACHED A SATISFACTORY AGREEMENT SUITABLE TO OUR INTERESTS.

5. "NEGOTIATIONS WITH VARIOUS COUNTRIES INTERESTED IN SUPPLYING NECESSARY MATERIALS WHICH CANNOT BE MANUFACTURED IN MEXICO WERE BEGUN, AND THESE NEGOTIATIONS INCLUDED RELEVANT FINANCING. THE COST OF THE MONTERREY LINE WILL BE 11.6 BILLION PESOS WHICH WILL RISE TO 23 BILLION IN CASE THE SAN FERNANDO-REYNOSA EXTENSION IS BUILT AND 18 PUMPING STATIONS TO HANDLE ABOUT 2,000 MILLION CUBIC FEET DAILY DESTINED FOR EXPORT ARE INSTALLED.

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6. "AS HAS BEEN ANNOUNCED TO THE NATION THE MEXICAN GOVERNMENT, ACTING ON EXPRESS INSTRUCTIONS FROM PRESIDENT LOPEZ PORTILLO, REMAINS FIRM IN ITS POSITION OF NOT REDUCING THE PRICE OF ITS GAS, BEARING IN MIND THE PRINCIPLE OF NON-INTERVENTION, SO THAT THE PARTIES IN THE UNITED STATES OF AMERICA CAN FREELY ARRIVE AT A SOLUTION. IT WAS DECIDED NOT TO RENEW THE MEMORANDUM OF INTENT, DELIVERED BY PETROLEOS MEXICANOS TO THE PURCHASING COMPANIES, THAT EXPIRED DECEMBER 31.

7. "IF THE PRICE THAT IS AGREED UPON BY THE UNITED STATES GOVERNMENT AND THE AMERICAN PURCHASING COMPANIES DOES NOT MEET THE TERMS AND CONDITIONS PROPOSED BY PETROLEOS MEXICANOS, INSTEAD OF EXPORTING OUR NATURAL GAS SURPLUSES THESE WILL BE USED IN MEXICO BY THE NEW MAIN PIPELINE, AND AN EQUIVALENT FUEL OIL WILL BE FREE FOR EXPORT.

8. "FUEL OIL IN MEXICO IS SOLD AT 1.80 DOLLARS PER BARREL. EXPORTED, IT HAS A VALUE OF 8 TO 9 DOLLARS, BUT IF ITS QUALITY IS

IMPROVED THROUGH INSTALLATIONS THAT WILL BEGIN
TO OPERATE VERY SOON A PRODUCT WORTH 11 DOLLARS
PER BARREL WILL BE OBTAINED.

9. "ASSUMING THIS SITUATION AS ANOTHER ALTERNATIVE,
UPON OPERATING THE PIPELINE AT A CAPACITY OF 1 BILLION
CUBIC FEET PER DAY IN ITS FIRST NON-COMPRESSION
STAGE 147,400 BARRELS A DAY OF FUEL OIL WILL BE
RELEASED FOR EXPORT, WHICH WILL PROVIDE AN ADDITIONAL
REVENUE OF 14.1 BILLION PESOS A YEAR.

10. "IF ONE TAKES INTO CONSIDERATION THAT IN ITS
FIRST PHASE THE PIPELINE ONLY REQUIRES AN INVEST-

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 7342

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MENT OF 11.6 BILLION PESOS, AND THAT OPERATIONAL COSTS
WILL DECREASE SHARPLY WITHOUT THE NEED TO COMPRESS
GAS, THE FREIGHT COSTS FROM CACTUS TO MONTERREY
WILL BE LESS. FOR THIS REASON THE OVER-ALL
OPERATION MADE POSSIBLE BY THIS ALTERNATIVE PROVIDES
A NET REVENUE OF 12.4 BILLION PESOS A YEAR. THIS
ALTERNATIVE, OF COURSE, IS LESS PROFITABLE IF ONE
CONSIDERS THE EXPORTATION OF GAS AT 2.60 DOLLARS
PER THOUSAND CUBIC FEET. HOWEVER, IT GUARANTEES
PAYMENT OF THE PIPELINE AND IS A PROFITABLE OPERATION.

11. "CONCERNING FINANCING, IT IS OPPORTUNE TO
REITERATE THAT THE EXIMBANK OFFER OF A 340 MILLION
DOLLAR CREDIT CONDITIONED ON THE SIGNING OF
CONTRACTS FOR NATURAL GAS EXPORTS TO THE UNITED

STATES WILL NOT BE FORMALIZED FOR THE TIME BEING.
IT HAS BEEN REPLACED BY OTHER OFFERS RECEIVED FROM
THE COUNTRIES PROVIDING EQUIPMENT AND MATERIAL FOR
THE PIPELINE, SUCH AS GERMANY, ITALY, FRANCE AND
JAPAN.

12. "HOWEVER, FOR OTHER TYPES OF PROJECTS WE WILL
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RESORT TO THE SOURCES OF CREDIT THAT NORMALLY
HAVE SUPPORTED THIS INSTITUTION." (PEMEX).
CALDERHEAD

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